

AGRIBUSINESS

FIELD NOTES

Weekly news update from the KPMG Agribusiness network

20 January 2016

Organisations referenced in this week's Field Notes include:

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| Agricultural Education | Monsanto Co. |
| ANZ Bank | National Institute of Water and Atmospheric Research (NIWA) |
| ASB | New Zealand Rural Games |
| Australian Longline | OM Financial |
| Beef + Lamb New Zealand | Open Country Dairy |
| Binxi Foods Oamaru | Pan Pac Forest Products |
| Brancott Estate | Primary ITO |
| BrandSimple | Rural Advisory Group |
| Constellation Brands | Sacred Hill |
| Dairy Companies Association of New Zealand | Saint Clair |
| DairyNZ | Sealord |
| Eat Offbeat | Shanghai Pengxin |
| Federated Farmers | Shearing Contractors' Association |
| Fish and Game | Sileni Estates |
| Fonterra Co-operative Group | Statistics New Zealand |
| Goodman Fielder | Tectra |
| J.R. Simplot Co. | The Wildlife Trust |
| Le Poulet Fabuleux | Tourism Exporters Council |
| Lean Meats | University of York |
| Lewis Road Creamery | US Food and Drug Administration |
| Massey University | World Economic Forum |
| McDonalds | Yum! Brands |

This week's headlines

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| Fishing | Sealord gets another longliner to catch toothfish in the Ross Sea [18 January/ Business Day] |
| Dairy | Open Country Dairy cuts milk payout below Fonterra's forecast [18 January/ NZ Herald] |
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| Agri-Education | Agri training crisis warning [18 January/ NZ Farmer Weekly] |



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**HOT OFF THE PRESS:
KPMG AGRIBUSINESS
AGENDA 2015 VOLUME 2**

AgriHQ Pulse: Ian Proudfoot's latest opinion piece**We need to hit the start line running, as the world gathers to declare the start of the Fourth Industrial Revolution**

The year is only two weeks old, but it already looks like 2016 will follow 1784, 1870 and 1969 into the annals of economic history as a year marking the start of an industrial revolution; in this case the cyber-physical industrial revolution.

Many of the world's economic and political leaders will come together this week at the World Economic Forum's annual meeting in Davos to explore the economic, social and political issues that the Fourth Industrial Revolution will trigger. It is a revolution that will be characterised by the fusion of physical, digital and biological technologies and has the potential to transform all aspects of our lives.

Fusion technologies were evident at the CES show in Las Vegas recently. The show saw drone, virtual reality and wearable devices dominate the headlines, but the example that caught my attention was an alliance L'Oréal has made to create a range of wearable sensors. The first of which, a UV-sensing patch that will monitor the strength of the sun's rays on the skin, was launched at the show. It will provide L'Oréal with data on how sun impacts on differing skin types enabling them to deliver tailored products to their customers.

The fusion trend is also apparent at last week's Detroit Auto Show where discussion centred on how quickly artificial intelligence will develop to enable commercial autonomous cars to be launched. The role out by Tesla of a 'Summon' feature across its vehicles in early January, highlighted how close autonomous vehicles are getting to commercialisation; the summon feature enables owners to call their vehicle to come to them using their smart phone (although it is limited to private property currently).

However, it is not the consumer electronics or autonomous vehicle applications of the emerging technology that has put the fourth industrial revolution centre stage at Davos next week, it is the speed, scope and impact that a broad spectrum of new innovation will have on all aspects of our society. The technologies at the core of this revolution (3D printing, nanotechnology, robotics, sensors, biotech, augmented intelligence and quantum computing amongst others) were largely the stuff of science fiction a decade ago. Today they are becoming cheap and readily accessible, with the potential to have significant positive impacts on society, but also to wreak havoc if not used wisely.

Our society has never faced the level of change we will in the next decade or so and this presents new challenges for governments, communities and business. For governments, the pace of change and the acceleration towards a borderless marketplace challenges their ability to maintain relevant legislation, protect their revenue base and engage substantively with constituents on a real time basis.

Communities will need to come to terms with changes in employment practices that will demand more high and low skill workers but will automate and eliminate many of the moderate skill roles historically filled by the middle classes. The impacts this will have on the distribution of wealth in our societies will be significant.

The challenge for business will be reengineering their enterprise DNA to thrive on the opportunities inherent in change and commit to the investment in innovation required to remain relevant. It will be those businesses that are alert to the market around them that will succeed.

This revolution, unlike those that have gone before, will leave no aspect of our lives untouched. It will deeply impact how food is produced, processed, distributed and consumed around the world, the clothes we wear and the fibres they're manufactured from and the materials used to build our homes. It creates opportunities for companies that are able to effectively integrate technologies to deliver consumer solutions. It will reward the nibble, innovative players that are close to their markets and able to respond to change creatively; it is the game changer for the NZ primary sector.

With the cyber-physical fourth industrial revolution 'officially' happening, how quickly we get off the start line will determine whether the game is changed in our favour or against us.

This article was first published in the AgriHQ Pulse service on 15 January 2016

Follow KPMG's coverage of the social media commentary on the World Economic Forum in Davos through WEF Live www.weflive.com

Viticulture

Constellation Brands gets approval to expand Drylands winery in Marlborough [13 January/ Business Day] Constellation Brands has been given approval for a \$50 million expansion project that will double production at its Marlborough-based winery to 40 million litres per year. Constellation Brands New Zealand Managing Director, Sam Glaetzer said the expansion of the company's Drylands site is needed to keep up with growing demand for Marlborough sauvignon blanc. Mr Glaetzer said the expansion would significantly increase the regions revenue, as well as creating job opportunities. The commissioners that approved the expansion said it was a more efficient use of resources than building a new site. Mr Glaetzer said work is expected to start later this year and will be completed within a three year period.

Family-owned Hawke's Bay wineries to tackle US and China markets [14 January/ Business Day] Boutique family-owned wineries in Hawke's Bay are beginning to think big, with at least two wineries in the past month announcing plans to enter into overseas markets. Sileni Estates Founder, Sir Graeme Avery said that breaking into new markets was not easy, and that it requires a lot a patience. Mr Avery said there is a lot of potential in the Chinese market, but anticipated that growth will be slow until a true wine culture fully emerges in the country. Mr Avery added that no market is easy to enter and that companies need to fully understand how each market operates. Sacred Hill also announced that it is to focus on exporting to the United States. Sacred Hill Global Sales and Marketing Director, Glenn Cunningham said the company needed to think about new and bigger markets to run a viable business.

Busy summer season for Marlborough cellar doors as wine tourism grows [18 January/ Business Day] Marlborough has reaped the benefits from an increase in wine tourism by experiencing one of its busiest seasons to date. Saint Clair Restaurant Cellar Door Manager, Stefan Wernli said the number of people visiting the region has grown, with an increase in visitors from both New Zealand and overseas. Mr Wernli said the reputation of Marlborough as a premier wine producing region was one of the main reasons overseas visitors came to the region. Brancott Estate Heritage Centre Manager, Kathy Hughes said it has had a brilliant season and believed the growth in visitors was due to people having more confidence in the economy, as well as an increase in cruise ship visitors. Ms Hughes said that with the expansion of Marlborough Airport, wine tourism in the region will continue to grow.

Poultry

New free range sheds produce 30,000 chickens a week near Foxton [19 January/ Business Day: NZ Farmer] Le Poulet Fabuleux Part Owner, Ron Turk said there are no hormones in New Zealand chicken and that meat chickens have never been raised in cages. Mr Turk's enterprise currently produces 30,000 chickens per week by rotating chickens between 7 new free-range sheds. Mr Turk said it takes six weeks to raise each group of 30,000 chickens, with one week used to clean each shed after the chickens leave the farm. Mr Turk said the system places biosecurity and animal welfare as a high priority, and added that it operates well above industry standards. Computers in each shed control the lights, feeding and temperature and shows visitors on site all the information they need to know to grow good healthy chickens. Mr Turk said the Foxton sheds are located close to processing plants so the chickens do not have a long and stressful journey. The operation has added an extra 30 jobs to the region.

Forestry

Pan Pac plans Milburn growth [15 January/ Otago Daily Times] Pan Pac Forest Products will spend \$23 million on doubling capacity and creating 6 new jobs at its Milburn site. The Japanese-owned company is planning to increase processing of export grade radiata pine to 100,000 cubic metres per year. Pan Pac General Manager, Michael Reaburn said the company would initially continue operations at both their Milburn and Milton sites, with the aim of transferring all operations to the expanded Milburn facility once construction was complete in April 2017. Mr Reaburn said work was due to start next month, but some specialist equipment would need to be imported from Europe and North America.

Fishing

Sealord gets another longliner to catch toothfish in the Ross Sea [18 January/ Business Day] Sealord has added another longliner to its fleet, in time for its annual Ross Sea toothfishing expedition. The new vessel, Antarctic Discovery, will be under the ownership of Australian Longline, which is owned equally by Sealord Group and Japanese company, Nissui. Sealord Fishing General Manager, Doug Paulin said the vessel was a better ice-class boat than the group's other vessel, Antarctic Chieftain. Australian Longline Chief Executive, Malcom McNeill said the new vessel was one of the biggest boats of its kind. Mr McNeill said its hull design meant it was less prone to the propeller damage suffered by the Antarctic Chieftain in the past two seasons.

Aquaculture

More trout tourism as tourists find out about Rangitikei [14 January/ Business Day: NZ Farmer] The lower New Zealand dollar is attracting anglers from the United States, Australia and Britain to the trout pools of Manawatu and Rangitikei rivers. Fish and Game Wellington Manager, Phil Teal said trout tourism was growing, with people taking advantage of many back country opportunities. Mr Teal added that trout numbers have been stable for many years. Mr Teal also commented on duck shooting, explaining that the recent wet weather has meant a high duckling survival rate which should lead to a good shooting season in May.

Dairy

Lewis Road Creamery eyes China as potential export market [14 January/ NZ Herald] Lewis Road Creamery is to make a final decision this year on whether to export fresh organic milk to China, with Australia, the UK, and the US also being considered as possible destinations. Lewis Road Creamery Founder, Peter Cullinane believed that one of the advantages of being a small operator under a majority owner is that it can make decisions more quickly than some of its larger rivals. Lewis Road Creamery is planning to introduce a new strawberry flavoured milk, and has also started to expand beyond dairy products with trials of Lewis Road Bakery products. Despite increased competition from new Goodman Fielder and Fonterra organic milk products, Lewis Road's retail sales have increased by 340 percent during 2015 to \$40 million, meaning the business holds half of the domestic organic dairy market.

Have NZ farmers escaped El Nino? [17 January/ NZ Herald] According to the Dairy Companies Association of New Zealand, milk production during November was 2.1 percent lower than the same period a year earlier, and 3.1 percent lower this season. Analysts said the El Nino weather pattern has yet to have made any impact on dairy production, but added that it was difficult to gauge the exact impact on production it will have through the remainder of the season. National Institute of Water and Atmospheric Research Forecaster, Chris Brandolino said much of the country enjoyed rain over the New Year period, but added that the weather pattern has some way still to go. Mr Brandolino said drier conditions are expected over the summer and early autumn periods. Mr Brandolino added that there was the prospect of more rain in the second half of the tropical cyclone season, and that El Nino could have an impact on their strength and frequency.

Open Country Dairy cuts milk payout below Fonterra's forecast [18 January/ NZ Herald] Open Country Dairy has reduced its milk payout range by 30 cents, to a price between \$4.00 and \$4.30 per kilo of milksolids. Open Country Dairy Chairman, Laurie Margrain, said the revision reflected the company's view on the market. ANZ Bank said the move highlighted the direction of risk in the industry. ANZ expected Fonterra to reduce its milk price forecast and estimated that its price will be close to \$4 per kilogram of milksolids by the end of 2016.

GDT still a useful market tool [18 January/ NZ Farmer Weekly] Fonterra CFO, Lukas Paravicini said the GlobalDairyTrade (GDT) auction platform still has relevance, despite a 25 percent fall in participation rates and the amount of volume traded. Mr Paravicini said volumes were similar to 2011, a time when nobody questioned the platforms relevance. Mr Paravicini said the derivatives that relied on the platform were sound and useful risk-mitigation tools for the industry. Federated Farmers Dairy Chairman, Andrew Hoggard said that while it was positive Fonterra was selling more products outside the platform, it still had a role to play in providing farmers with market transparency and guidance. Mr Hoggard said he believed the platform did not create volatility. The total volume sold through the platform in 2015 was 745,000 tonnes.

Dairy futures point to weak demand [19 January/ NZ Herald] Futures pricing indicates dairy prices will flatten at the forthcoming GDT auction. OM Financial Dealer, Michael Peters said that weaker whole milk powder and skim milk powder future prices indicated the next auction could have a small decline. ASB said there was a chance of a small increase but added that the overall trend remained weak. ANZ Rural Economist, Con Williams believed the market would struggle to improve. Mr Williams added that feedback suggested buyers were comfortable with their current inventory levels and are less willing to build stock. The United States Department of Agriculture said it expected the current trend of oversupply and low demand to continue this year, and added that it did not see prices improving in the first half of the year.

Red meat

Lamb marketing spotlighted as returns disappoint [15 January/ Business Day: NZ Farmer] Federated Farmers Meat and Fibre Chairman, Rick Powdrell said more collaboration is needed with the foreign lamb markets to promote New Zealand lamb. Mr Powdrell believed the industry needed to learn how to market lamb better, after a poor start to the new season. Mr Powdrell said some farmers have earned up to \$14 less on a 17.5 kilogram lamb compared to the same time last year, despite positive market messages from processors and other industry leaders. Mr Powdrell added that farmers expected lamb weights and earnings to be higher this season due to the reduced lamb population. Alliance Group Marketing General Manager, Murray Brown said it was a difficult time for farmers with reduced demand from Britain, China and the Middle East. Mr Brown said Alliance was focused on maximising its trade for the British Easter market and will also trial its new Chinese retail products. Beef + Lamb Chairman, James Parsons said the organisation was working hard to develop new markets and believed Mr Powdrell's collaboration suggestions were worth following up. Mr Parsons said the organisation could have performed better in market development, and added that it has committed \$5.5 million to promotion this year.

Chinese buyer to give Lean Meats \$6 million upgrade [18 January/ Business Day: NZ Farmer] Binxi Foods Oamaru is to invest up to \$8 million into Lean Meats, now known as Oamaru Meats, to upgrade the company's facilities. Binxi Foods Oamaru, a New Zealand Incorporated company with links to Chinese company, Binxi Cattle Industry Company, bought the company in December. Oamaru Meats Director, Richard Thorp said the investment would be spent on upgrading the company's plant as part of a review on productivity and effectiveness. Mr Thorp said the company will mainly supply Binxi-owned retail stores in China as well as some Chinese-based McDonald's restaurants. The company currently employs 200 people but will need staff with the skills required to cut carcasses for the Chinese market.

Environment and emissions

Farmers cop blame [18 January/ NZ Farmer Weekly] A water campaign backed by the tourism sector is set to place the farming industry under further pressure to play a bigger role in lifting national water standards. The Choose Clean Water campaign was launched this month and will seek stories from across the country about the quality of waterways. A key goal for the campaign is getting 10,000 signatures to increase acceptable water standards, so that the minimum requirement is that all water is safe to swim in. Tourism Exporters Council Chief Executive, Lesley Immink said it was prompted to invest in the campaign after the 100% Pure slogan was challenged by Massey University Ecological Scientist, Dr Mike Joy. Ms Immink acknowledged the campaign was likely to come under scrutiny by the farming sector. Ms Immink said she would not apologise for the tourism sector's ability to leverage more political attention on the state of waterways and the role farming played in their decline. The Tourism Exporters Council believed it was farming, and in particular dairying, that was a major contributor to waterway degradation. DairyNZ Environmental Policy Manager, Mike Scarsbrook hoped the campaign would identify some of the good stories dairy farmers had to tell. Federated Farmers Environment Spokesman, Chris Allen said the group would like to have all waterways swimmable, but there is nothing the industry can do about things such as didymo, which the industry was not responsible for.

Drought

El Nino still climate driver [14 January/ Rural News] National Institute of Water and Atmospheric Research Principal Forecasting Scientist, Chris Brandolino said that despite recent rain improving soil moisture, the El Nino weather pattern will still be the main climate driver for the next three months or more. Mr Brandolino explained that although El Nino is now weakening, it peaked at a very high intensity, meaning farmers should expect dry conditions for the next few months. Mr Brandolino expected the north of the North Island to be drier than normal. The rest of the North Island along with northern and eastern parts of the South Island are likely to have less rainfall than usual. Mr Brandolino also reminded farmers that soil can lose about 3 millimetres of moisture per day to the atmosphere, and added that a couple of weeks of dry weather could deteriorate soil moisture levels rapidly.

Future of food

'Fast food' is a dirty term in restaurant industry [13 January/ NZ Herald] Fast food is quickly becoming a dirty term in the restaurant industry, with many companies attempting to distance themselves from the term by describing their food with phrases such as fast-casual or fine-casual. The phrases are being embraced by companies in an attempt to position their products as higher quality or fresher, distancing menu items from the stigma that fast food is greasy, cheap and unhealthy. Traditional fast food chains such as McDonalds have also acknowledged the fast food image problem. YUM! Brands CEO, Greg Creed said the company needed to redefine the meaning of fast food, which is seen as industrial and impersonal. BrandSimple Consulting Founder, Allen Adamson said restaurants cannot rely on speed alone to attract customers and that they needed to communicate something that is more desirable.

International

Agribusiness eyes Mexico as courts debate lifting GM maize ban [14 January/ Financial Times] Activists fear that ancient varieties of maize could be wiped out if a ban on genetically modified maize is lifted in Mexico. The use of genetically modified maize in Mexico has been put on hold for two and a half years, after a Mexican judge's decision to overturn the ban of genetically modified corn was appealed by a group of activists. More than 80 of the country's top chefs have asked Mexican President, Enrique Peña Nieto to keep the ban in place. The activists argue that the genetically modified crops will not be able to resist the effects of climate change, whereas a diversity of crops will enable farmers to use varieties that have adapted to local conditions. Advocates of the genetically modified crops have said the stance against them is naive, considering the country imports around a third of its maize every year, with the majority of that being genetically modified. Monsanto Northern Latin America Chief Executive, Manuel Bravo said genetically modified corn was a way out of poverty for small farmers, as it gave them higher yields and profits.

Food crisis looms [14 January/ Cape Times] A food crisis looms in southern Africa, with drought conditions affecting the regions agriculture, forcing countries such as South Africa, Zambia and Zimbabwe to look at importing staples such as maize. Zimbabwe has been hit by its worst drought in 18 years, while surrounding countries have also been affected badly. Zimbabwean Minister of Agriculture, Joseph Made said the government will import 230,000 tonnes of maize from Zambia for around \$390 a tonne. Mr Made said the State Procurement Board has licenced 60 grain importers to import around 1.2 million tonnes of maize, all of which must be GM-free. The drought has also killed over 1,300 cattle in Zimbabwe. South African yellow maize prices have increased to a new record as a result of the drought, with many concerned that the rain in the country's growing areas will not be enough to prevent the damage caused by the El Nino weather pattern. Prices for white maize also jumped to a new record. The El Nino weather pattern has resulted in the lowest rainfall in South Africa for around 100 years, increasing maize prices by 66 percent. The effect of the drought will also be exacerbated by the weakness and volatility in the currencies of southern Africa, raising the cost of imports.

New York start up aims to help refugees through food delivery service [14 January/ The Guardian] Eat Offbeat Founder, Manal Kahi said the idea behind her recently launched the start-up was to help refugees from across the world become established in their new country and interact with locals. Eat Offbeat is a meal delivery start up that employs refugees as chefs, who then prepare traditional dishes from the country of their origin. Ms Kahi said she hoped the company would help change the view of refugees from being a burden to having economic value. Eat Offbeat Chef, Ms Al Hanabi said the company was a welcome opportunity at a time when she struggled with her new identity as a refugee who lacked English language skills necessary to obtain a job. Ms Kahi said the main prerequisite for potential employees is that they enjoy cooking and have some experience cooking for groups, even if that just means extended family.

FDA green lights new GE potato [14 January/ NZ Herald] The US Food and Drug Administration has approved a genetically engineered potato that will resist the pathogen that caused the Irish potato famine. The Food and Drug Administration said the potato, which was developed by J.R. Simplot Co., was not substantially different in composition or safety from other products already on the market. J.R. Simplot Co. Marketing Director, Doug Cole said the potato will be introduced into the market next year, after it is approved by the Environmental Protection Agency. As well as being resistant to late blight, the potato can be stored at colder temperatures longer to reduce food waste. J.R. Simplot Co. Plant Sciences Vice President, Haven Baker said the potato has the potential to reduce pesticide spray by up to 45 percent.

Dolphins, spoonbills, coral ... can marine parks save our sea life? [15 January/ The Observer] The British government is to announce 23 new marine conservation zones, bringing the number of protected sites to 50. Marine Environment Minister, George Eustice said it is vital that Britain's marine environment is protected to ensure its seas remain healthy and fishing industry prosperous. University of York Professor, Callum Roberts welcomed the new zones but said more are needed. The government said it was working to ensure management measures are put in place in all zones within two years, but Mr Roberts said he was sceptical of how much the zones will achieve after the government opened up a conservation area in Cardigan Bay, to scallop dredging. Mr Roberts believed the zones offered little protection from the dredging and trawling. Mr Roberts also added that 65 areas of complete protection from fishing have been abandoned. The Wildlife Trust Head of Living Seas, Joan Edwards said the group was pleased by the government's commitment to the preventing the destruction of seabeds. Ms Edwards said the 50 conservation zones must be properly managed and that a third set of additional zones must be delivered. The government said it is also to consult on new areas of conservation for harbour porpoise and special protection areas to protect feeding and bathing areas used by birds.

Australian agricultural school enrolments at a record high [15 January/ ABC Rural] The current boom in Australian agriculture and the scope of career prospects has resulted in a surge of enrolments at Australian agricultural schools. Agricultural Education Director, Geoff Moyle said Western Australia has experienced a 15 percent increase in enrolments since 2013. Farrer Memorial Agricultural High School Head Agriculture Teacher, Graeme Harris said the increase in enrolments was driven by the career opportunities that agriculture had on offer. Mr Harris said there are two opportunities in the sector, one being the need for scientists and agriculture academics, and the other being the need for people with strong skills bases. Exeter High School Agriculture Teacher, Liam Fox believed students were recognising potential career prospects in agriculture, as there are a number a career opportunities.

GMO labelling law faces fight [17 January/ The Boston Globe] Supporters of genetically modified food labelling in Maine are divided on whether a law, that will require the companies in the state to label GM foods as such if five adjoining states pass similar labelling laws, should stay. Some supporters, and some opponents have argued that by removing the adjacency clause of the existing law, the state will have different rules to nearby states, leaving local businesses with the cost of the labels. Others say the adjacency clause should be removed as the state should have the right to act on its own. Some groups from both sides said the state should wait until federal lawmakers make a decision on the issue, with industry supported legislation still pending approval in the Senate. Democrat Representative, Michelle Dunphy said there are concerns in the State House about Vermont's labelling law, which has faced legal challenges.

Agri Education

Agri training crisis warning [18 January/ NZ Farmer Weekly] Industry leaders have said that the quality of agricultural training has declined to an alarming level, with shearing training in crisis in particular. Shearing Contractors' Association President, Jamie McConachie said the amount of shearers in training each year has halved since the decline of Tectra. Mr McConachie said that with several training providers, the system has become dysfunctional with lack of coordination between providers and industry. Mr McConachie added that there was no longer an industry-wide quality benchmark, due to there being multiple techniques and training methods. Federated Farmers Meat and Fibre Chairman, Rick Powdrell expressed his concerns about the quality of agriculture training to Tertiary Education, Minister Steven Joyce and Primary Industries Minister, Nathan Guy. Mr Joyce said training was trending back to being workplace based in response to recent funding irregularities with two providers and after a qualification review. Federated Farmers Sharemilker Chairman, Tony Wilding blamed the crisis on inequitable funding. Mr Wilding said some trainers were funded for each full-time equivalent student in training and they received more government funding than those who ran practical, onfarm training. Primary ITO Chief Executive, Mark Jeffries said training was changing due industry requirements, with more emphasis on practical experience and less time spent in the classroom. Mr Jeffries noted that a review of Primary ITO qualifications reduced the 300 it administered to 80 with a greater emphasis on practical experience.

Economics and trade

Commodity exports down in December [12 January/ Radio NZ Rural] ANZ Bank's Commodity Price Index fell 1.8 percent in December, led by weaker prices for dairy, lamb and horticulture. The fall was partially offset by higher prices for forestry and aluminium. An increase in the New Zealand dollar during December also reduced earnings for producers. ANZ Rural Economist, Con Williams said prices had fallen by around 13 percent during 2015. Mr Williams said the decline in the New Zealand dollar had softened the impact on producers, but believed that lower prices are going to stay around for longer than anticipated.

Biggest food price fall since [15 January/ Rural News] According to Statistics New Zealand, food prices fell by 1.3 percent in the year to December 2015, driven by a 14 percent fall in the price of fresh milk. Meat, poultry, and fish prices fell 3.8 percent over the year, led by chicken prices which fell to their lowest level since January 2008. Fruit and vegetable prices increased 2.4 percent, with higher prices for avocados and bananas. Grocery food prices fell by 3 percent over the year. During December, food prices fell 0.8 percent driven by lower prices for meat, poultry, fish; and non-alcoholic beverages. Meat, poultry, and fish prices fell 2.7 percent in December, while fruit prices increased 5.1 percent, however the rise was only 1.5 percent after adjusting for seasonal effects.

Farmers and producers

Shanghai Pengxin rejection has flow-on impact on failed Lochinver neighbour [13 January/ NZ Herald] The government's decision to reject Shanghai Pengxin as a buyer for Lochinver Station, has resulted in the Chinese company dropping its interest in the neighbouring Taharua Farm. The Lochinver Station deal was rejected by the government, as the transaction failed on the test of providing a substantial benefit to New Zealand. Shanghai Pengxin Spokeswoman, Clare Bayly said the company preferred to own a cluster of farms for logistical reasons and added that Taharua was only attractive when Lochinver was an option. Taharua Farm is now back on the market with tenders closing on 10 March.

High country meets town in rural games [14 January/ Business Day: NZ Farmer] The New Zealand Rural Games are to begin next month in Queenstown. New Zealand Rural Games Founder, Steve Hollander said the games were about entertaining people and expected around 8,000 people to attend over two days. Mr Hollander said the highlights of the event would be the speed shear, egg throwing as well as coal shovelling and speed fencing. There will also be 12 events the public could compete in. Mr Hollander said the idea of the games was to close the gap between urban and rural people, and added that he plans to take the games throughout the country to help raise money for a rural trust.

Marlborough rural group prefers to be a voice for farmers than delve into politics [19 January/ Business Day: NZ Farmer] Rural Advisory Group Chairman, Colin King said the group would not seek representation on the Marlborough District Council by putting members up as candidates at the local body elections. Mr King said the purpose of the group was to be in communication with the council over issues affecting the community. Mr King, who has put his name forward to seek election as a councillor, said he would resign as chairman if elected. Mr King added that the group did not intend to be a protest group for farmers, but would present a well-researched argument to council on issues such as water resources, rural broadband and profitability.

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Field Notes

Weekly news update from the KPMG Agribusiness Network – 20 January 2016

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Field Notes presents a summary of some of the media comment on the Agribusiness sector in the last week. The views expressed do not necessarily represent the views of KPMG but are summaries of the articles published.

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